Hamilton County
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November 14, 2016

Via ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

Re: WC Docket No. 10-90
Hamilton County Telephone Co-op
Notice of *Ex Parte*

Dear Ms. Dortch:

On November 2, 2016, the Federal Communications Commission ("FCC" or "Commission") released a Public Notice announcing that 216 rate-of-return companies filed letters to elect Alternative Connect America Cost Model ("A-CAM") support for 274 study areas, which exceeded the available A-CAM budget by more than $160 million annually.[1] To contend with the oversubscription, the FCC intends to take "other measures that may be necessary" in order to prioritize among electing carriers or modify A-CAM parameters such as the per-location cap or the level of deployment. In the A-CAM Results PN, the FCC encouraged parties to submit *ex parte* into the record with recommendations on how the FCC should handle the excessive demand of the A-CAM.

Hamilton County Telephone Co-op ("Hamilton" or the "Companies") respectfully responds to the FCC's call for recommendations for how to proceed with modifying the A-CAM to fit the budget. Hamilton is a locally owned and operated rate-of-return company providing voice and broadband access in rural southern Illinois. Throughout the A-CAM analysis process, Hamilton has consistently believed that the Company is an excellent candidate for the A-CAM, because it is an Average Schedule company whose revenue streams, lack of scale, and aversion to capital risk in the face of evolving regulatory policy, have made it difficult to historically commit to underwriting the material investment necessary to aggressively upgrade plant to deliver 10/1 Mbps service. Hamilton is concerned that although it has elected the A-CAM for its

[1] *See* Wireline Competition Bureau Announces Results of Rate-of-Return Carriers That Accepted Offer of Model Support, WC Docket No. 10-90, DA 16-1246 (rel. Nov. 2, 2016) ("A-CAM Results PN").

ILEC study area, the arduous decision process may return to "square one" if the FCC decides to lower the $200 funding cap.[2]

Hamilton first and foremost recommends that the Commission consider allocating enough additional funding to the A-CAM to cover the more than $160 million annual overage, as this is the only equitable way to respond to the 216 companies that voluntarily elected the A-CAM with the intention of deploying broadband to their unserved areas. It is also the best way to ensure that the millions of unserved rural Americans, whose locations were uncovered in the extensive A-CAM development process, will be served within a reasonable period of time without further perpetuating the "rural-rural divide."

In the event that the FCC decides not to fully fund A-CAM, Hamilton urges the FCC not to reduce the $200 per location cap. Hamilton elected the A-CAM because the Company took into account the deployment hardships that they face to ensure that their remaining unserved locations get access to broadband in a timely manner, and reducing the $200 cap to anything less would increase the difficulty of ensuring that all of the eligible locations in its study area become served with broadband. As the FCC may recall, a wireless service provider knocked out the vast majority of Hamilton's locations based on coverage claimed in its 477. Despite submitting extensive evidence categorically illustrating that service provider's lack of coverage, Hamilton's challenge was not granted, resulting in the elimination of the vast majority of locations from Hamilton ACAM funding support. The locations remaining, represent the most isolated, least dense and high cost areas served by Hamilton. In short, claimed competitive overlap will result in the vast majority of locations remaining unserved, and reduced funding introduced as a consequence of insufficient ACAM funding could well result in the remaining eligible locations unable to secure access to a 10/1 level of service.

Additionally, Hamilton went through a tedious analysis that led it to select the ACAM despite the reductions introduced by the competitive overlap referenced above. The conclusion to select model based support was based on a detailed analysis of service obligations, costs of providing said service, and available support under both legacy and model based support options. Reducing Hamilton's A-CAM support will reintroduce the need, and attendant costs, to repeat the analysis referenced above, but of greater consequence, will very likely continue to shrink the number of locations to which 10/1 and 25/3 service can be economically deployed. It is worth emphasizing that the locations referenced directly correlate to households, and the people who reside in them, who will in turn be denied participation in an economy in which commercial activity, and social discourse, is increasingly reliant on broadband access.

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[2] If the FCC determines a way to maintain the $200 per location funding cap, the November 1 election notices are irrevocable (*see* Wireline Competition Bureau Announces Support Amounts Offered to Rate-of-Return Carriers to Expand Rural Broadband, WC Docket No. 10-90, DA 16-869 (rel. Aug. 3, 2016) ("A-CAM Offer PN)), but in the A-CAM Results PN, the FCC notes that the per location funding cap would need to be set below $146.10 in order to accommodate the election of all 216 rate-of-return carriers. Therefore, it seems likely that, unless supplemental funding as advised herein is not allocated, the $200 cap will not be maintained, and as a consequence thereof, the FCC will be forced to release a modified A-CAM offer, and each of the A-CAM electors will be required to re-evaluate the results.

Hamilton understands that the FCC believes it must comply with certain budget limitations, but also believes that the FCC has a surplus of available funding which could be applied to the more than $160 million annual oversubscription.[3] The FCC, as well as the industry at large, spent significant time creating the ACAM option, and we encourage the Commission to allocate sufficient funds to allow ACAM electors to realize the promise motivating the plan's creation, namely the financial resources necessary to promote an acceleration of broadband deployment. The FCC should be proud of its efforts to create a voluntary support model that 216 different companies representing 274 study areas, nearly a third of the rate-of-return carrier universe, have chosen the model, and are poised and excited to bring broadband to those who, today, lack access to it. Accordingly, the FCC should strongly consider providing the necessary funding to fully address the model disbursements identified in its A-CAM Results PN for the 216 carriers electing model based support, and should explicitly reject the concept of reducing the per location cap to less than $200.

Please direct any questions regarding the filing to the undersigned.

Sincerely,

Kevin Pyle, GM/EVP
kevinp@hcc.coop

cc: Wireline Competition Bureau

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[3] See, e.g., Connect America Fund; ETC Annual Reports and Certifications; Developing a Unified Intercarrier Compensation Regime, Report and Order, Order and Order on Reconsideration, and Further Notice of Proposed Rulemaking, WC Docket Nos. 10-90, 14-58, CC Docket No. 01-92, FCC 16-33, para. 60 & n. 130 (rel. March 30, 2016) (FCC referencing "high-cost reserve account" from which it obtained the $150 million annually in funds for the A-CAM and directing USAC to "credit excess contributions to support the high-cost mechanism to the high-cost account").